

# HOUSE BUDGET COMMITTEE

## Democratic Caucus

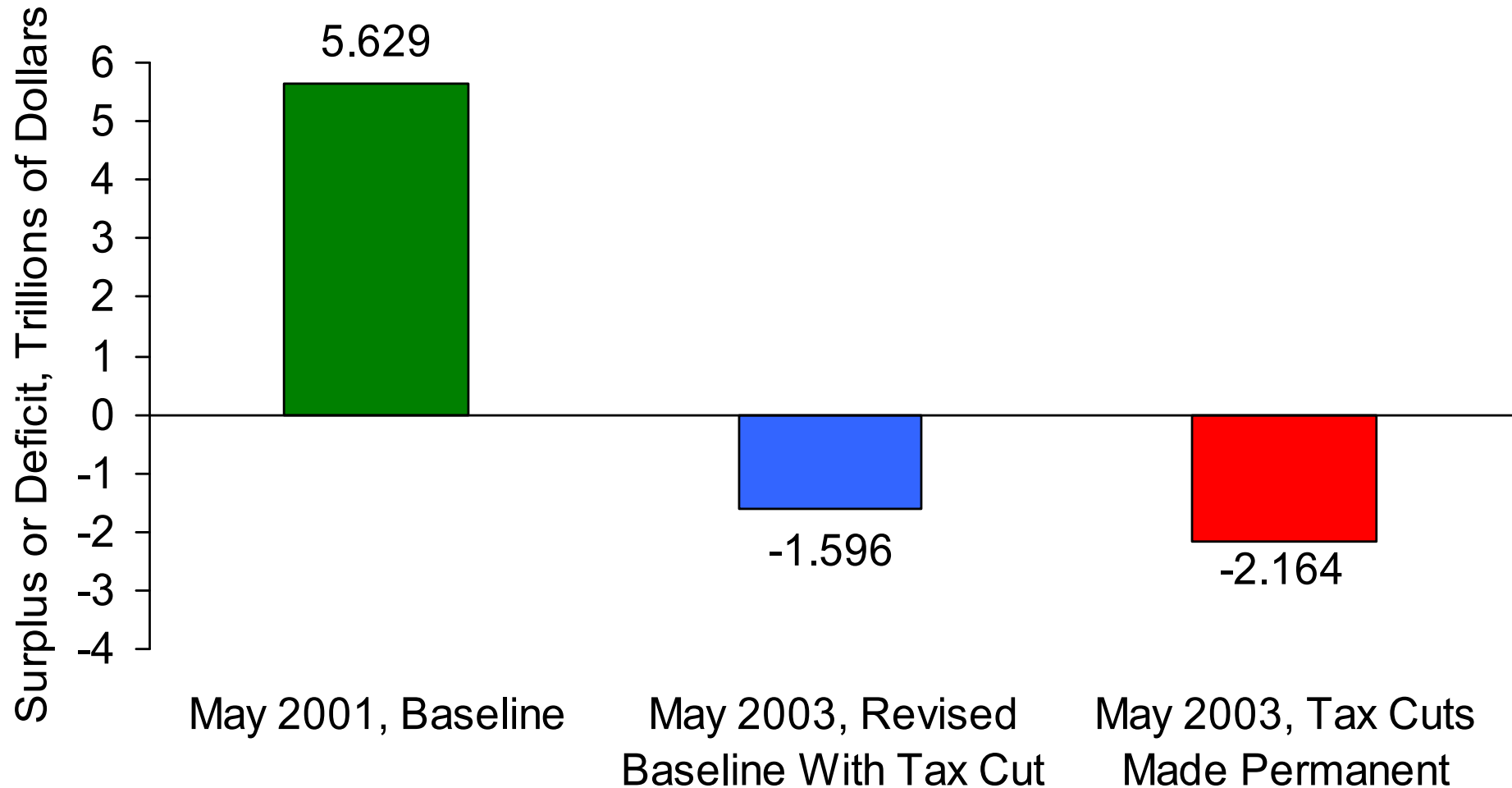
The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats)

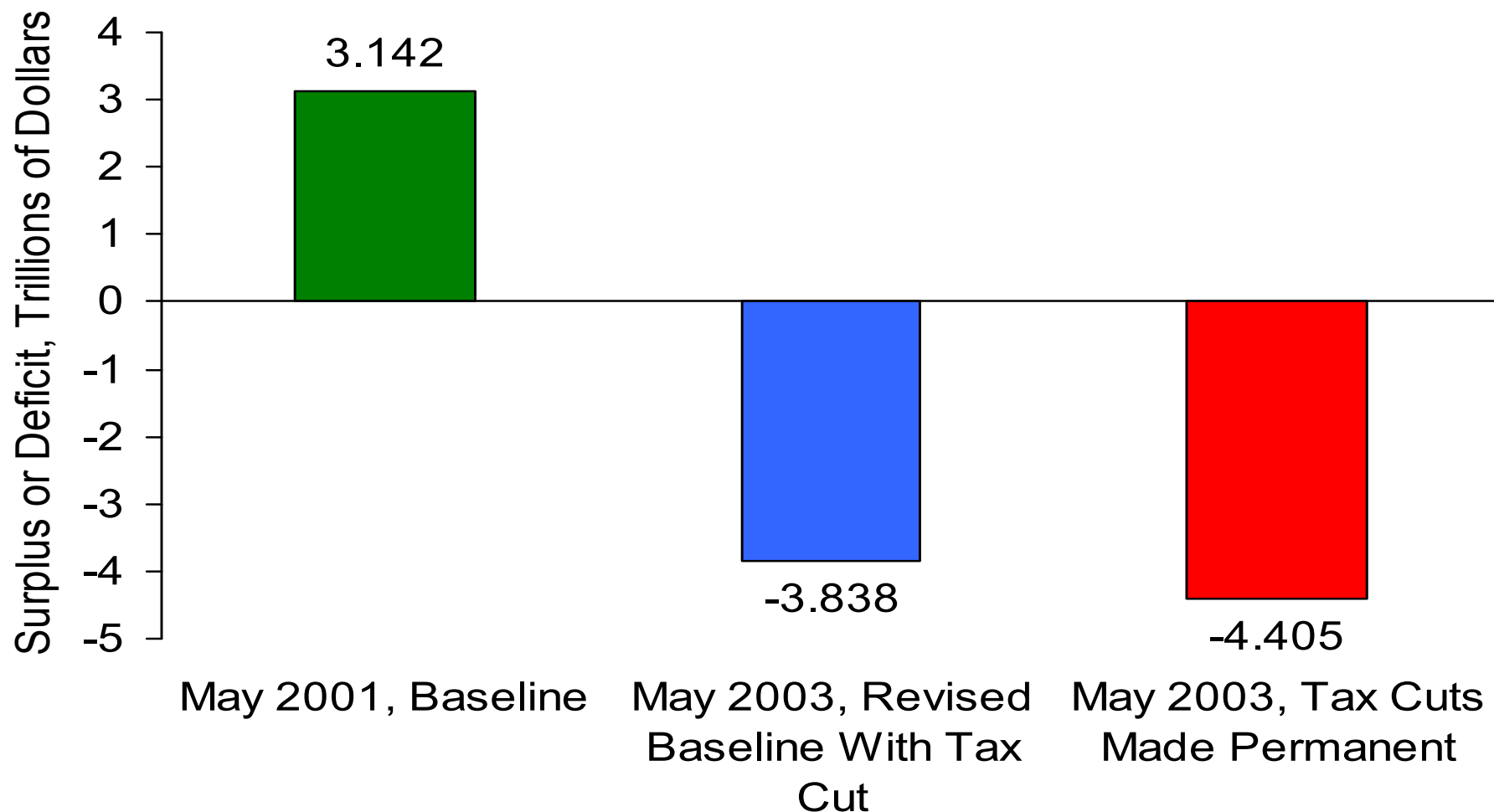
### Republican Tax Cuts Dig Deficit Hole \$1 Trillion Deeper

- ***Just two years ago, CBO projected a ten-year unified budget surplus of over \$5.6 trillion.*** Republicans told us that we needed large tax cuts as “insurance” against a recession, and to forestall their fear that the public debt would be paid off too quickly.
- ***The 2001 tax cuts reduced the surplus by \$1.7 trillion, but did not ward off recession, or bring the economy to a healthy recovery.*** The economy entered recession in March of 2001, and has never begun a solid recovery, despite the multi-trillion dollar tax cut that disproportionately assisted those Americans who need the help the least.
- ***Even before September 11, 2001, the budget was in serious trouble.*** Shortly after passage of the tax cut, CBO reported that the budget would violate the Republicans’ avowed “lockbox” to protect Social Security and Medicare.
- ***Now, the budget is deep in deficit.*** CBO reports that the deficit for 2003 will exceed \$300 billion. Private analysts believe that the deficit will be greater than \$400 billion, will grow to \$500 billion next year, and will remain large as far as the eye can see.
- ***The proposed tax cut would worsen the budget outlook even further, without helping the economy.*** The bill under consideration would provide large tax cuts for those who need the help the least — about \$90,000 for people who are already millionaires. By far the greatest part of the tax cut provides substantial benefits to upper-income recipients of large amounts of dividends and capital gains. Those households are so little in need of this tax benefit that *Economy.com* assesses the tax cut for dividends as providing the least economic stimulus of all of the options under public discussion.
- ***The proposed tax bill is riddled with gimmicks that hide its true cost.*** All of the provisions of the bill — except the dividend and capital gains tax cut for the ultra-well off, and the tax cuts for businesses — expire in just two or three years. Advocates of the bill, including the Administration, do not hide their intent to make these provisions permanent. If they have their way, this bill will cost not \$350 billion, but over \$1 trillion.
- ***These large deficits threaten the soundness of Social Security and Medicare.*** After these tax cuts, the federal government will need to spend the Social Security and Medicare Trust Fund surpluses for years to come. The government will not have the resources to safeguard the soundness of these essential programs.

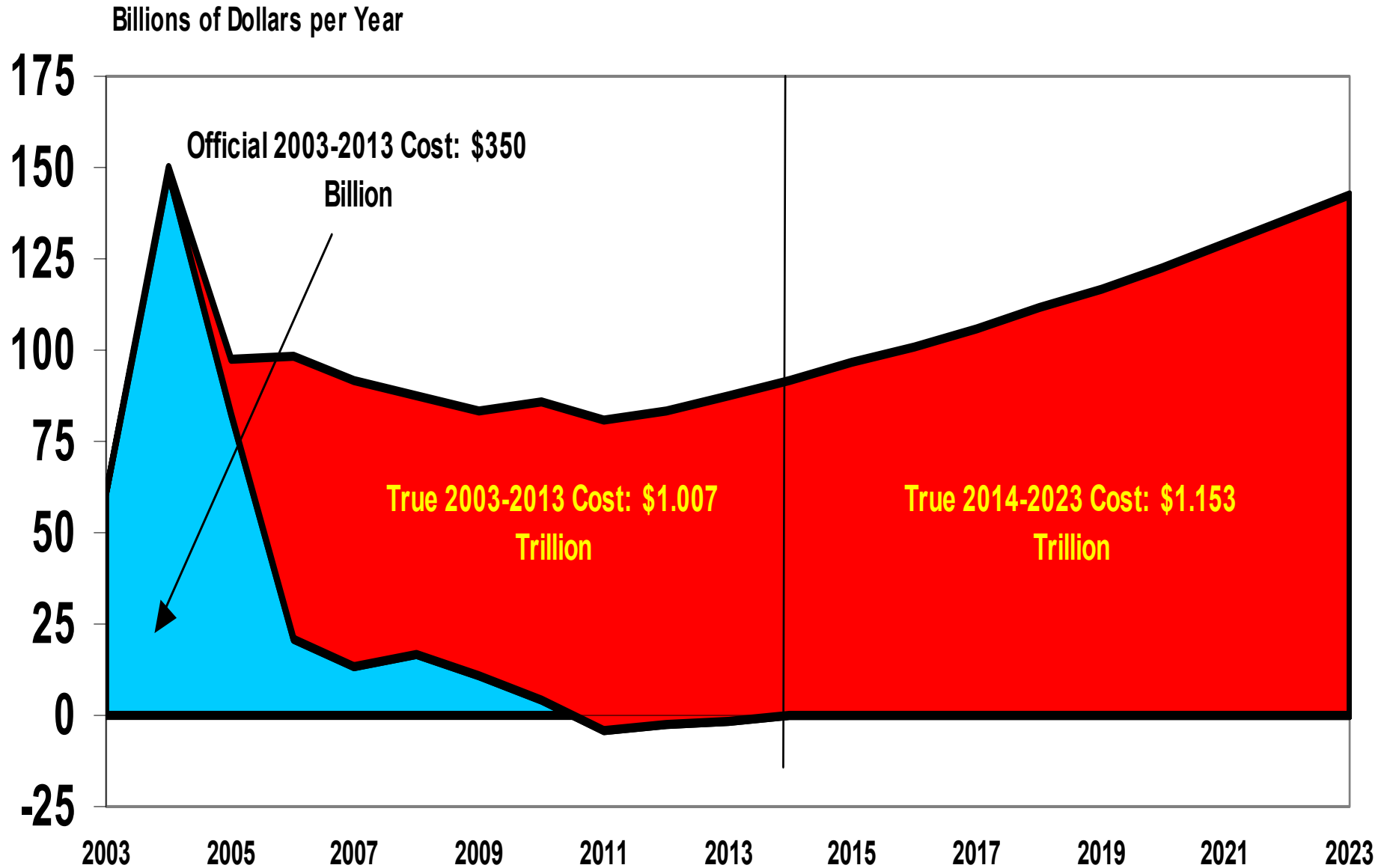
# Deterioration of the Unified Budget Under this Administration



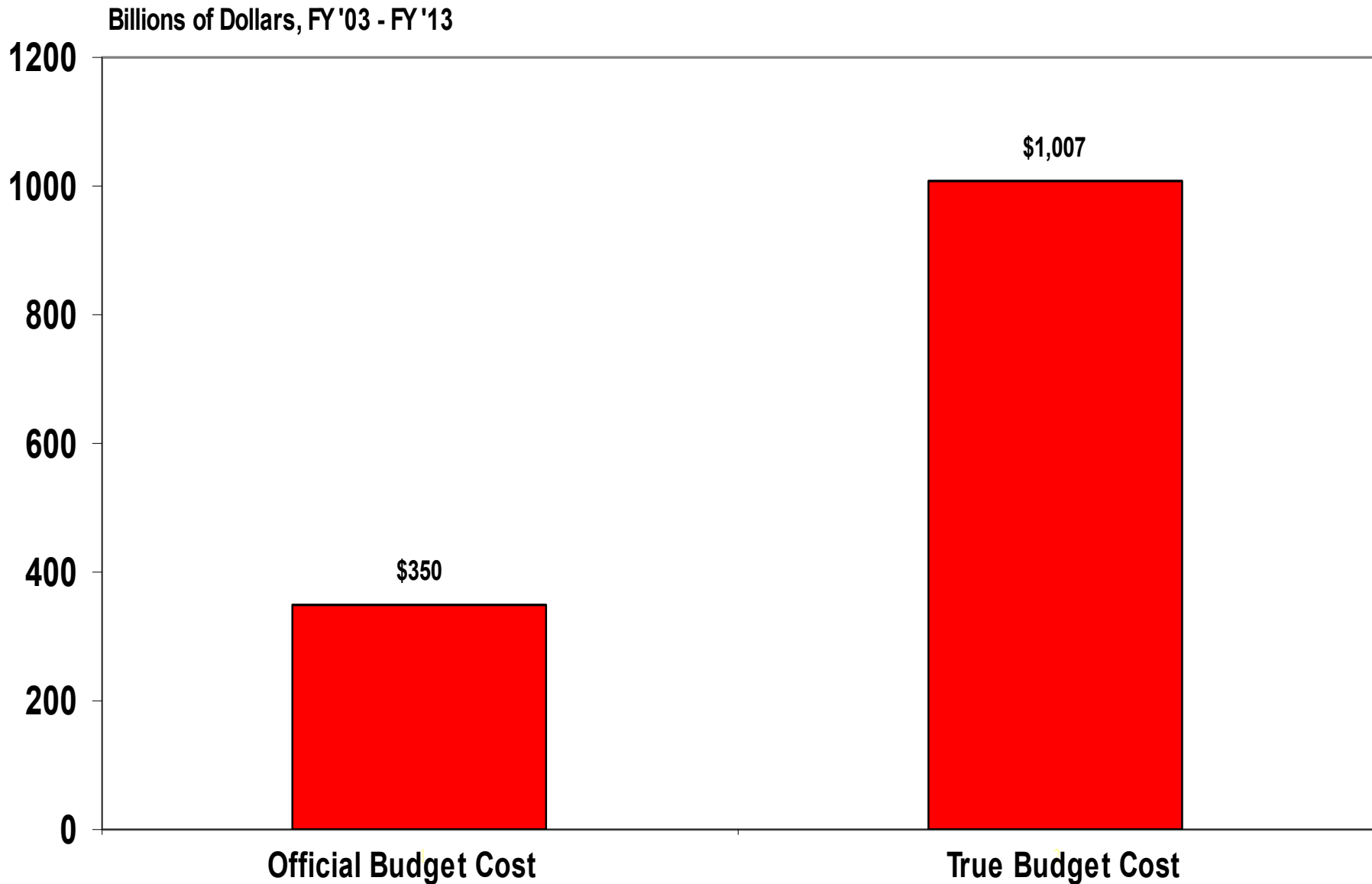
# Deterioration of the Non-Social Security Budget Under this Administration



# The True Cost of the Republican Tax Cut



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# Republicans' Tax Cut:

## “Sunrise, sunset...”

<u>Provision</u>	<u>Sunset Date</u>
10% Bracket Expansion	2004
Child Tax Credit	2004
Married Couples Tax Cut	2004
Increase AMT Exemption	2004
Bonus Depreciation	2004
Expand Small Business Expensing	2005
Dividend and Capital Gains Cut	2008
Top-Bracket Cuts	2010